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SUBJECT: RESTAURANT INDUSTRY GROWING IN JORDAN

REF: AMMAN 4074

**¶11.** (SBU) Summary: Revenues from Jordan's restaurant industry have grown 42 percent since 2006, and the total number of restaurants has increased by 18 percent. The restaurant sector currently employs about 11,000 people in Jordan, and government officials and restaurant owners believe the industry will continue to expand. Restaurant industry representatives are concerned with taxes, tourism laws, and inflation. The sector has also recently been impacted by disputes over Ramadan restaurant laws, but opportunities, especially for American franchises, remain. End Summary.

Super-Sizing: 42 Percent Sales Growth

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**¶12.** (SBU) Amer Qub'a, CEO of the Jordan Restaurant Association (JRA), reported to EconOff that Jordan saw daily restaurant industry revenues grow from \$808,000 in 2006 to \$1,150,000 during the first eight months of 2007. JRA projects annual revenue for 2007 will be \$418 million, up from \$295 million in 2006. This growth reflects an increase in sales at each restaurant, as well as an increase in the total number of restaurants.

**¶13.** (SBU) Jordan currently has 608 licensed restaurants compared to 397 in 2002, not including sandwich shops that serve shawarma, falafel, hummus and other traditional low-budget Arab foods. With the increase in restaurants, the frequency of dining-out has also tripled in the last three years according to Raed Al Zaghal, the Assistant General Manager at Armoush Tourist Investments (ATI) which owns all the local McDonald's. A recent survey commissioned by ATI found that 88 percent of Jordanians had eaten out in the last four weeks, and 70 percent had eaten at a fast-food restaurant. The study found, however, that sandwich shops are the most frequently visited type of restaurant in Jordan.

**¶14.** (SBU) Zaghal opined that the restaurant industry, both in sales and number of restaurants, would continue growing but at a slower pace. He said that while Jordan can support more fast food restaurants, he did not expect large growth in the number of restaurants in other categories. Randy Ahmad, Marketing Manager at Americana Company, which holds the Jordanian franchise rights to KFC, Pizza Hut and other American restaurant chains, indicated that Americana will open an additional five restaurants in the next few months. He said Americana expects to continue expanding the number of restaurants and franchises, including a possible Krispy Kreme

store, and is eager to expand into mall locations. Both Zaghal and Ahmad agreed that the greatest growth opportunity for fast food restaurants in Jordan is in lower-middle income areas, which have the largest number of potential customers.

**¶5.** (SBU) Another potential growth area is catering, particularly for hotels. Jan Heesbeen, Marriott's Jordan Country Director for Sales and Marketing, indicated that Marriott, Intercontinental, and Hyatt dominate the catering business throughout Jordan, inside and outside of hotels. Half of Marriott's Jordanian food and beverage (F&B) revenues come from catering. Yasmeen El Ajou, Grand Hyatt Amman's Marketing Communications Executive, predicted catering growth to continue as Jordan expands its convention and conference business. Heesbeen added that Jordan needs a certification process for event planners to improve the quality and professionalism of catering.

#### Restaurants Are an Important Employer

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**¶6.** (U) Zaid Goussous, President of JRA and owner of several restaurants himself, noted that Jordanian restaurants employ around 11,000 staff members, which he said is second only to hotels in terms of numbers of tourism-related jobs. Zaghal highlighted that 100 percent of McDonald's 700 employees in Jordan are Jordanian, rather than foreigners. He said that 60 percent work part-time, noting that McDonald's was the first company in Jordan to offer part-time work in the formal economy.

#### Relationship to Tourism

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**¶7.** (U) Zaghal and Ahmad said that their restaurant sales spike thirty percent in the summer because of Gulf tourists (Reftel). Goussous thought that meals for tour groups to Jordan could be better planned and prepared in order to develop Jordan's tourism sector. In particular, tourist restaurants need to emphasize cleanliness, menu variety, atmosphere, and employee appearance.

#### Industry Concerns

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**¶8.** (U) In recent discussions with EconOff, restaurant owners and managers identified several concerns about their sector including taxes, tourism laws, and inflation. JRA's Goussous said that since restaurants pay 16 percent sales tax, their role in Jordan's economy should not be marginalized. He said restaurants are particularly impacted by the 300 percent duty on alcohol, which makes wine more expensive in Jordan than in almost any other tourist destination. His JRA colleague Qub'a expressed concerns about the new draft tourism law, which he felt discriminated against restaurants relative to other tourism industry players. Minister of Tourism Osama al-Dabbas said that the current tourism law dates to 1988, and while the sector has grown every year, the law has not kept pace. He thought that the new law would clarify some misinterpretations and make licensing easier.

**¶9.** (SBU) Zaghal spoke at length about inflation in Jordan. He said the rapid growth in real estate costs are impacting McDonald's expansion plans. He added that the real estate market in Jordan is changing as increasing amounts of land are owned by large companies. He said he recently gave across-the-board salary increases to his employees, but they do not match increases in housing, food and school costs.

#### Ramadan Restaurant Raids

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**¶10.** (SBU) Earlier this month, Jordanian Arabic-language dailies reported that McDonald's was illegally serving daytime meals during Ramadan, the Muslim holy month of fasting, when most restaurants are legally prohibited from operating during the day. Zaghal and JRA officials noted that Jordanian law permits some restaurants with predominantly expatriate clientele to sell food to tourists and others. Zaghal clarified that McDonald's has a license to sell take-away food during the day in Ramadan, but that its permit had not been circulated properly within the Ministry of Interior. When a district under-governor read the newspaper coverage, he moved his forces to shut down McDonald's restaurants in two neighborhoods in

west Amman. Zaghal went to the Minister of Interior's office, and the office nullified the shut-down decree. Goussous said that raids have also occurred at other restaurants which are legally allowed to be open during the day or serve alcohol in the evenings. According to industry officials, the raids are frustrating for business owners and are politically motivated by Islamic extremists.

Comment

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¶11. (U) Jordan's restaurant sector is growing rapidly, reflecting the growing economy and the increasing number of appealing, often American, franchises. There is wide agreement that the sector will continue growing, especially as Jordan grows its related convention, catering and tourism businesses. This growth represents an opportunity for the establishment of other American franchises, as well as highly regarded American food products.

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